

252303

STEVEN G. MIKELL

ATTORNEY AT LAW

TELEPHONE
(843)669-6262

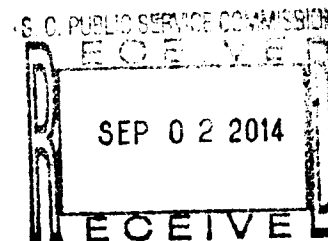
310 WEST PINE STREET
FLORENCE, S.C. 29501
steve@smikellaw.com

FACSIMILE
(843)669-6343

August 28, 2014

Ms. Jocelyn Boyd
Chief Clerk/Administrator
Public Service Commission of South Carolina
101 Executive Center Drive, Suite 100
Columbia, SC 29210

Re: Docket No.: 2013-451-WS
Pre-Filed Testimony of Billy F. Burnett
And Susan B. Mikell



Dear Ms. Boyd:

Enclosed please find the Pre-Filed Testimony of Billy F. Burnett and Susan B. Mikell in the above matter, along with my Certificate of Service.

Please indicate your receipt and filing of the Pre-Filed Testimony of Billy F. Burnett and Susan B. Mikell on the extra copy of the Certificate of Service and return that to me in the envelope provided. *JS*

Thank you for your assistance.

With kind personal regards, I am

Yours very truly,

Steven G. Mikell

SGM/slo
Enc.

**BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA**

DOCKET NO. 2013-451-WS

IN RE: Pre-Filed Testimony of Billy F.)	
)	
Burnett and Susan B. Mikell)	CERTIFICATE OF SERVICE

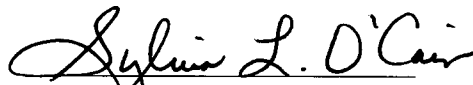
This is to certify that I, Sylvia L. O'Cain, Legal Assistant to Steven G. Mikell, Esq., has on August 28, 2014, served the Pre-Filed Testimony of Billy F. Burnett and Susan B. Mikell on Frank R. Ellerbe, III, attorney for the Callawassie Island Property Owners Association and the Spring Island Property Owners Association, and on the office of Regulatory Staff on August 28, 2014, all by placing the same in the United States Mail, postage prepaid, and addressed as follows:

**Frank R. Ellerbe, III, Esquire
Robinson, McFadden & Moore, P.C.
Post Office Box 944
Columbia, S. C. 29202**

**Shannon Bowyer Hudson, Esquire
Office of Regulatory Staff
1401 Main Street, Suite 900
Columbia, SC 29201**

**Andrew M. Bateman, Esquire
Office of Regulatory Staff
1401 Main Street, Suite 900
Columbia, SC 29201**

Dated at Florence, S. C. this 28th day of August, 2014.


Sylvia L. O'Cain
Legal Assistant to
Steven G. Mikell
Attorney for Applicant

CUC, INC.

DOCKET NO. 2013-451-WS

BEFORE THE SOUTH CAROLINA PUBLIC SERVICE COMMISSION

Testimony Prepared: August 28, 2014

Hearing Date: October 23, 2014

Exhibits: Original Application and All Responses to Data Requests
(Not Re-submitted)

PRE-FILED TESTIMONY

OF

BILLY F. BURNETT

AND

SUSAN B. MIKELL

THIS TESTIMONY IS FILED PURSUANT TO THE 10 S.C CODE ANN. REGS. 103-845. IN ACCORDANCE WITH THE PUBLIC SERVICE COMMISSION'S RULES OF PRACTICE AND PROCEDURE AND THE AGREEMENT OF THE APPLICANT, THE COMMISSION, THE OFFICE OF REGULATORY STAFF, AND THE INTERVENOR, THE APPLICANT RESERVES THE RIGHT TO PROVIDE REBUTTAL TESTIMONY TO THE TESTIMONY PRE-FILED TO THE COMMISSION STAFF, ORS, AND INTERVENORS, AND TO ANY TESTIMONY PROVIDED AT OR BEFORE THE OCTOBER 23, 2014 HEARING.

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2013-451-W/S

IN RE:)	
)	
Application of CUC, Inc. for Adjustment)	DIRECT TESTIMONY
of Rates and Charges and Modification)	
of certain terms and conditions for the)	OF
Provision of Water and Sewer Service)	
<hr/>)	BILLY F. BURNETT

Mr. Mikell: Would you please state your name and business address?

Mr. Burnett: My name is Billy F. Burnett, and my business address is 2109 Timberlane Drive, Florence, South Carolina 29506.

Mr. Mikell: Where are you employed and in what capacity?

Mr. Burnett: I am an owner of CUC, Inc., its President and general manager for its overall operations.

Mr. Mikell: How long have you been employed or connected to the water and sewer utility business?

Mr. Burnett: For 61 years.

Mr. Mikell: What is your training and work experience?

Mr. Burnett: I first began my employment as a well driller's helper in 1953 by Layne Atlantic Company in Orlando, Florida. Layne was the largest water supply and treatment company on the east coast of the United States at that time. In 1956, I was transferred to Layne's Florence, South Carolina office to work as a Well Driller. I remained employed by Layne until 1970. During my 17 years with Layne, I progressed from Well Driller, to Superintendent, to General Superintendent, to

Regional Manager, and then to Vice President of the company. While at Layne, I became responsible for contracting and building various water and wastewater treatment facilities for municipal-owned utilities in North and South Carolina. Also, I was responsible for building and operating several water utilities in the Florence area that were owned by Layne. From 1970 until 1984, I was a Partner and General Manager of BWB, Inc., a utilities construction company performing water and wastewater utilities construction with unlimited licenses in North and South Carolina. Also, during that period, I was the majority partner in a North Carolina regulated water and sewer utility that grew to approximately 5,000 customers prior to being sold to a county-owned utility in 2004. In 1984, I started CUC, Inc. to provide water and sewer service for Callawassie Island and Spring Island, two contiguous islands located in Beaufort County, South Carolina. CUC has continuously provided that service for thirty years. I have attended many American Water Works Association Conferences over the years and have completed many computer and software classes that pertain to the water and wastewater business. I presently hold South Carolina Operator Certifications for Grade A Wastewater Treatment and Grade D Water Treatment.

Mr. Mikell: What are your job responsibilities in your current position?

Mr. Burnett: My responsibilities include the following:

- Day to day management and oversight of the Company's water distribution and wastewater collection and treatment systems.
- Supervision of environmental and regulatory agency compliance.
- Customer and vendor relations.
- Maintaining the company customer billing software system.
- Oversee the administrative staff in its work, including customer billing and bookkeeping.
- Oversee the operations staff to ensure safe and efficient work practices.
- Make decisions regarding acquisitions, as well as company policies, procedures, and staff.
- Regular analysis of company financial statements.

Mr. Mikell: Who are the other owners of CUC, Inc.?

Mr. Burnett: My daughter, Susan B. Mikell, and I are equal Shareholders and own all the stock of the company.

Mr. Mikell: What is the purpose of your testimony in this proceeding?

Mr. Burnett: The purpose of my testimony is to provide the Commission with an overview of the Company and its operations, and a description of the areas in which the Company is authorized to provide service. I will also provide a full explanation of why the Company has a clear need for the rate relief requested.

Mr. Mikell: Are there any exhibits that you would like to incorporate into your testimony at this time?

Mr. Burnett: Yes there are. At this time, I would like to incorporate the Application filed in this proceeding with the Commission, along with all of its accompanying exhibits and amendments, as well as all responses filed by the Company prior to this hearing.

Mr. Mikell: When did CUC last have its rates modified?

Mr. Burnett: In 2005. Our current application for rate relief is only the third since the Company was formed in 1985.

Mr. Mikell: What major factors have contributed to the need for rate relief?

Mr. Burnett: The costs of operating the water and wastewater systems have increased at a significantly higher rate than the growth of revenues to the extent that CUC is operating at a considerable deficit. The cost to operate has far out-paced revenues. There are major items of expenses contributing to the deficit. One item is the significant increase of flows into the wastewater treatment plants requiring the sludge by-products to be hauled and processed at the Beaufort Jasper Water and Sewer Authority sludge processing plant. This has become a considerable expense and is continually growing at a much faster rate than in the past. Sludge has to be wasted as needed or the plants will not function in accordance with permit requirements.

Other items that have increased dramatically are the employee benefits that we provide. Since its inception in 1984, CUC has always provided health insurance to all of its employees and to their dependents. We feel that this is a benefit that we must continue to offer, because of commitments made to our employees for the last thirty years. CUC also offers a 401K Retirement Plan for its employees. The company

needs to provide employee benefits in order to keep qualified operators and other required employees. Our company operates with the minimum number of employees possible to maintain constant and adequate customer service, as compared to other similarly sized utility companies. Periodic employee raises have been given in an effort to maintain our valued employees, which has raised our labor costs. Insurance and fuel costs have soared, which in turn, drives up the costs of all goods and services.

Additionally, customer consumption is down. One reason is that higher than average rainfalls have contributed to lower consumption by irrigation customers for the past several years. Also, the poor national and local economies have caused many customers to give up their irrigation accounts. We have also lost a significant number of customers to bankruptcy and foreclosure. These troubled accounts require closer attention and additional labor by our staff members that have not been required in the past.

For our test year of 2013, revenues were \$828,857. This amount is less than the amount of \$830,733, which was projected nine years ago by the ORS in the 2005 Settlement Agreement, Docket #2005-87-W/S. We are operating with lower revenues than what was to be allowed nine years ago, while expenses have steadily increased, and customer growth has dwindled.

Mr. Mikell: Why is CUC requesting to change from once a month customer billing to billing every two months?

Mr. Burnett: Due to other required duties that the wastewater plant operators have to perform, there is less than adequate time to read meters and to prepare the customer billings every month. In order to continue with monthly customer billings, we will be forced to hire an additional operator to assist with meter reading or to use the services of a qualified meter reading company, either of which will add considerable cost to the Company. We have investigated the purchase of an automated meter reading system for a portion of our most difficult to read and time consuming service areas, but the cost is prohibitively high, and we have been unable to determine how we can recover this expense through our rate structure, even though such a system would save money in the long run. In order to avoid the additional expenses of

reading the meters and preparing the customer billings monthly, we have, therefore, determined that billing our customers every two months is the most advantageous and cost-effective method to both them and to us.

Mr. Mikell: Why is CUC requesting to stop collecting availability fees?

Mr. Burnett: Collection of these fees is a constant problem for the company. While some property owners pay their fees in a proper and timely fashion, others do not. Some property owners have never paid these fees. The fees are difficult to collect because there is no actual service to disconnect. Furthermore, legal fees to collect these balances are prohibitively expensive, and lawsuits against these individuals are more costly and difficult due to the customers living in multiple states. The system is grossly unfair to the customers who pay on a timely basis. We needed these fees when the utility began because there were very few customers on the islands to support the operations of the facilities. We now feel that the customer bases are large enough to support the systems without these fees. These fees are burdensome and are a source of discontent for the customers and create unjustified ill will toward the Company.

Mr. Mikell: Has the wholesale rate for purchased water from Beaufort-Jasper Water & Sewer Authority (BJWSA) increased recently?

Mr. Burnett: Yes, the present rate is \$2.26 per thousand gallons effective July 1, 2014. In 2005, at the time of our last rate case, it was \$1.64 per thousand, so that is an increase of 38% for purchased water. Beaufort-Jasper Water and Sewer Authority has stated in a letter to us that this is a one year rate, as they are building a new Cost of Service model. Their costs will be analyzed by this new model in the autumn of this year and could cause our rate to rise again in July, 2015. We also are asking to have an automatic pass-through for purchased water increases to be added to our rate structure.

Mr. Mikell: Have there been any other known and measurable increases since the application was filed?

Mr. Burnett: Yes, the Beaufort-Jasper Water & Sewer Authority's master meter was just replaced at the end of July, 2014. The old meter was apparently under-reading our actual usage. With the new state-of-the-art meter with full supervisory control and data acquisition (SCADA) ability in place, our water bills will be more accurately reflected on future billings and therefore much higher. Our purchased water

consumption for the test year was 79,844,400 gallons, and our sold water consumption for the same time period was 79,265,920 gallons. Normally, purchased water amounts run at least ten percent higher than sold water amounts, due to required flushing. This could cost the company an additional \$18,000 (8,000,000 gallons @ \$2.26/1000 gallons) per year. It is imperative that this additional cost be put into our rates. The ORS staff team who conducted the site audit viewed this new meter in detail.

We have hired an additional employee to assist with required grounds and plant maintenance. We expect him to work at least twenty hours per week at \$10.77 per hour (\$10 per hour, plus tax expenses). The annualized cost for him would be \$11,200. We need to get this amount included in our rates as well.

Our rate case expenses will be much higher than what was submitted to the ORS by their cut-off date, due to the burdensome amount of time required by our office staff and our attorney to respond to the extensive interrogatories from the Intervenors and their attorney. We have determined that our rate case expenses will increase by \$20,000.

Mr. Mikell: Please comment on the amount of increase in water and sewer rates requested by CUC.

Mr. Burnett: CUC has not requested or received a rate increase since 2005. In contrast, many of the larger utility companies have a policy of requesting an increase every two or three years and some make these requests even more frequently. When a company adheres to such a rate strategy, its customers are not exposed to what some characterize as the “rate shock” of less frequent increases that are larger in magnitude. At first glance, the customers receiving the less frequent but larger rate increases may seem more disadvantaged than customers who arrive at the same rate through several smaller rate increases. In fact, the exact opposite is true. Over time, the customers whose rates have increased more frequently actually pay more total dollars for their utility service. This is true, because the customers whose rates have increased to the same level through a single larger jump reap the considerable economic savings of receiving service in the years between rate increases at the lower old rate, rather than

the constantly increasing incremental rates. In the case of CUC, customers have received service for over 9 years at the lower 2005 rate instead of the incrementally higher rates that would have been caused by more frequent increases. Also, the expense for filing and obtaining a rate increase must be factored into the expenses of the utility. Obviously, more frequent filings result in the need for higher rates.

Mr. Mikell: Please explain to the commission why this rate relief is necessary for CUC.

Mr. Burnett: CUC is experiencing an insufficient level of earnings, in view of the regulatory requirements with which it must comply, decreased consumption, and increased costs to operate and is desperately in need of rate relief. An increase in rates is necessary in order to allow the Company to continue funding its operations.

Mr. Mikell: Are the rates and charges fair, reasonable, and necessary in order for the company to continue to provide a safe and reliable water and wastewater service?

Mr. Burnett: Yes. In order to keep providing the services which we have been providing, and to comply with the conditions of its various regulatory requirements, CUC must have rate relief. CUC believes that the proposed rates fairly distribute the cost to the consumer of providing those services, while at the same time placing the Company on a more solid financial footing, allowing the Company to perform necessary maintenance to the system. The Company is committed to continuing to provide quality service in an environmentally responsible manner. It is our belief that the rates requested are reasonable, fair, responsible, non-discriminatory and justified in light of the consumer needs, the Company's requirements to meet the customers' needs, and the Company's commitment to do so in compliance with the regulations of this Commission, DHEC, and other regulatory agencies with jurisdiction over CUC.

Mr. Mikell: Has the company had to borrow money to fund normal operations?

Mr. Burnett: Yes, the Company borrowed money to finance the acquisition of a new backhoe, three new pick-up trucks, and a new automobile. It is important for the company's financial viability to have adequate service rates that will allow the Company to rebuild adequate cash reserves that may be needed in the event of emergency or extraordinary repairs.

Mr. Mikell: Will the company need to borrow more money before new rates are put in place?

Mr. Burnett: There is a good chance that additional funds will be needed to continue normal operations, because test year service revenues were down 8.33% (\$75,361) from 2012. Overall customer consumption has declined as well due to abundant rainfall over the past several years. Customer economic hardships have caused many to discontinue their irrigation service, and we have lost other customers altogether due to bankruptcies and foreclosures.

Mr. Mikell: Please describe the proposed adjustments in rates and charges for water and sewer service and non-recurring charges.

Mr. Burnett: The proposed changes in the Company's water and sewer schedules include an increase in the base monthly charges as follows:

WATER

<u>Residential</u>	<u>Meter</u>	<u>Current(monthly)</u>	<u>Proposed(Bimonthly)</u>
Residential Water	¾" meter	\$17.50	
Residential Irrigation Water		\$17.50	
Residential Water & Residential Irrigation	5/8" x ¾"		\$60.00
Residential Water	1"	\$25.00	\$75.00
Residential Irrigation Water		\$25.00	\$75.00
Residential Water	1 ½"	\$30.00	\$85.00
Residential Irrigation Water		\$30.00	\$85.00
Residential Water	2"	\$35.00	\$95.00
Residential Irrigation Water		\$35.00	\$95.00
Water Commodity Charge		\$3.76 per 1,000 gallons water used	\$6.00 per 1,000 gallons water used
Irrigation Commodity Charge		\$3.76 per 1,000 gallons water used	\$6.00 per 1,000 gallons water used
<u>COMMERCIAL</u>		<u>Current(monthly)</u>	<u>Proposed(Bimonthly)</u>
Commercial Water	¾"	\$20.00	
Commercial Irrigation Water		\$20.00	
Commercial Water & Commercial Irrigation	5/8"x3/4"		\$70.00
Commercial Water	1"	\$25.00	\$85.00
Commercial Irrigation Water		\$25.00	\$85.00
Commercial Water	1 ½"	\$30.00	\$95.00
Commercial Irrigation Water		\$30.00	\$95.00
Commercial Water	2"	\$35.00	\$105.00
Commercial Irrigation Water		\$35.00	\$105.00
Water Commodity Charge		\$3.76 per 1,000 gallons water used	\$6.00 per 1000 gallons water used
Irrigation Commodity Charge		\$3.76 per 1,000 gallons water used	\$6.00 per 1,000 gallons water used
<u>NON RECURRING CHARGES</u>		<u>CURRENT</u>	<u>PROPOSED</u>
Tap-In Fee	¾"	\$525.00	
Existing Water Tap-In Fee (New Connections	5/8" x ¾"		\$525.00

Only)			
Tap-In Fee	1"	\$700.00	\$700.00
Tap-In Fee over 1" Water Meter		Cost plus Service	Cost plus Service
New Water Customer Account Initiation Charge		\$13.50	\$30.00
Delinquent Customer Account Notice/Notification Fee		\$4.00	\$25.00
Reconnection Charge after 9 months of Disconnection (see Order No. 2005-535, Settlement Agreement, page 8 of 11)		\$35.00	
Disconnection Charges			\$45.00
Reconnection Charges (see page 2 of 4 of Exhibit A of Application)			\$45.00
Damage/Tampering Charge			Up to \$250.00

SEWER

RESIDENTIAL	Meter	Current(monthly)	Proposed(Bimonthly)
Base Residential Sewer	¾"	\$17.50	
Base Facilities Charge	5/8"x3/4"		\$60.00
Base Facilities Charge	1"	\$25.00	\$75.00
Base Facilities Charge	1.5"	\$30.00	\$85.00
Base Facilities Charge	2"	\$35.00	\$95.00
Sewer Commodity Charge		\$3.76 per 1,000 gallons of water used	\$6.00 per 1,000 gallons of water used
COMMERCIAL			
Base Commercial Sewer	¾"	\$20.00	
Base Commercial Sewer	5/8"x3/4"		\$70.00
Base Commercial Sewer	1"	\$25.00	\$85.00
Base Commercial Sewer	1.5"	\$30.00	\$95.00
Base Commercial Sewer	2"	\$35.00	\$105.00
Sewer Commodity Charge		\$3.76 per 1,000 gallons of water used	\$6.00 per 1,000 gallons of water used
NON RECURRING CHARGES		CURRENT	PROPOSED
Tap-In Fee	¾"	\$625.00	
Existing Sewer Tap-In Fee (new Connections Only)	5/8"x 3/4"		\$625.00
Tap-In Fee	1"	\$700.00	\$700.00
Tap-In Fee	1 ½"	\$900.00	\$900.00
Tap-In Fee	2"	\$1,000.00	\$1,000.00
Customer Account Charge – New Customers Only A one-time fee to defray the cost of initiating service		\$13.50	\$30.00
Delinquent Customer Account Notice/Notification fee		\$4.00	\$35.00
Reconnection Charge after 9 months of Disconnection (see Order No. 2005-535, Settlement Agreement, page 8 of 11)		\$250.00	
Disconnection Charges			\$50.00
Reconnection Charges (page 4 of 4 of Exhibit A of Application)			\$500.00
Damage/Tampering Charges			Up to \$250.00

Mr. Mikell: Why did the company ask for changes in the non-recurring charges?

Mr. Burnett: We asked for increases in New Customer Account Initiation Charges from \$13.50 to \$30.00 for both water and sewer customers; Delinquent Customer Account Notice Fees from \$4.00 to \$25.00 for water customers and \$35 for sewer customers (higher for sewer due to required use of multiple certified mailings); and Reconnection Charges from \$35.00 to \$45.00 for water customers and \$500.00 for sewer customers (none of our sewer services have elder valves installed. This \$500 fee would include the installation of an elder valve). We asked to add Disconnection Charges in the amount of \$45.00 for water customers and \$50.00 for sewer customers and Damage/Tampering Charges of \$250.00 for both water and sewer customers. These new fees more accurately reflect the costs involved, and will hopefully encourage customers to pay their bills on time.

Mr. Mikell: Would you describe the authorized service area of CUC, Inc.?

Mr. Burnett: Callawassie Island is an approximately 800-acre residential and golf course community consisting of approximately 717 building lots and Spring Island, is an approximately 3,000-acre residential and golf course community consisting of approximately 410 building lots. Callawassie Island is an upper income community consisting of homes valued at approximately \$300,000 up to and over \$1,000,000. Spring Island is an upper income community consisting of mostly million to multi-million dollar homes. These Islands are contiguously located in Beaufort County. Each Island has its own wastewater treatment plant and the water distribution system is common to both Islands. The wholesale water supply is provided by the Beaufort-Jasper Water and Sewer Authority through a master meter located at the entrance of Callawassie Island. Also, the Company serves 40 residential lots, the gate house, and two commercial office buildings collectively known as Chechessee Bluff located adjacent to the entrance of Callawassie Island with sewer service only. Water supply to these properties is provided by Beaufort-Jasper Water and Sewer Authority.

Mr. Mikell: Please describe the wastewater treatment plants for the service areas.

Mr. Burnett: CUC has two advanced wastewater treatment plants, 260,000 GPD on Callawassie Island and 100,000 GPD on Spring Island. Each plant includes an office/laboratory building where certain water analyses are performed. The Callawassie plant also has an office where customer billing and certain record keeping

is managed. This building also serves as a convenient place for customers to pay bills and get information concerning their service. Each plant site includes an automatic standby generator capable of providing electric power for the entire plant as well as the main pumping stations that allows the plants to function properly in the event of power outage by the local electricity provider. Each plant utilizes tertiary filters to provide high quality effluent. The Callawassie plant uses chlorination for final disinfection while the Spring Island plant uses the latest in ultraviolet technology for final disinfection. The final effluents from both plants are recycled as irrigation water on the two islands' golf courses. There are sixteen observation wells located on the golf courses from which groundwater is analyzed every calendar quarter to insure there is no contamination to groundwater caused by the wastewater effluent. The South Carolina DHEC discharge permits for these two plants are among the most stringent for water quality issued by DHEC.

Mr. Mikell: Please describe the sewage collection facilities that complete the wastewater systems in the service areas.

Mr. Burnett: The Callawassie sewage collection system includes 53,310 L.F. (10.1 miles) of gravity sewers with 220 manholes and 16 pumping stations with 19,242 L.F. (3.6 miles) of force mains. The Spring Island sewage collection system includes 89,419 L.F. (16.9 miles) of force mains and 2 pumping stations. Each home on Spring Island has an individual sewage grinder station which CUC must also maintain. The total length of sewer pipes that must be maintained by CUC personnel is 161,971 L.F. (30.7 miles).

Mr. Mikell: Please describe the water distribution facilities that complete the water systems in the service areas.

Mr. Burnett: The Callawassie water distribution system includes 67,660 L.F. (12.8 miles) of water mains with 61 fire hydrants. The Spring Island water distribution system includes 128,658 L.F. (24.4 miles) of water mains with 105 fire hydrants. The total length of water pipes that must be maintained by CUC operators is 196,378 L.F. (37.2 miles).

Mr. Mikell: What is the total length of pipe lines that must be maintained by CUC operators?

Mr. Burnett: 358,349 L.F. (67.9 miles)

Mr. Mikell: Does DHEC require that all water and sewer lines be flushed on a regular basis?

Mr. Burnett: Yes, and in addition to the DHEC regulations, the local fire department flow tests the water mains and hydrants. The water required for flushing and flow testing of the water and sewer lines normally amounts to 10% of our purchased water.

Mr. Mikell: Does the water system provide fire protection water to all homes in the service areas?

Mr. Burnett: Yes. The CUC systems are different than most PSC regulated water utilities in that its water systems are built to high municipal standards and not the typical water system that utilizes small pressure tanks and small diameter pipe lines. All of the CUC water systems were designed so that every home is within 500 feet or less of a fire hydrant. The Bluffton District Fire Department was consulted relative to design and minimum flow requirements for every fire hydrant and the water systems were designed and sized accordingly. Sixty-three percent of the pipe lines are 8" through 12" and thirty-two percent are 6" diameter. The Fire Department has a fire station at the entrance of Callawassie Island that serves CUC's customers. The fire hydrants on both islands are pressure and flow tested by the Fire Department. It is estimated by a fire department official that the average CUC water customer saves approximately \$300 annually on their homeowner fire insurance policies due to the fact that CUC water systems are designed and built for available fire protection water.

Mr. Mikell: Do you provide an emergency phone number available to your customers when the office is closed?

Mr. Burnett: Yes, during all non-normal working hours a voice message informs the customer to call a particular cell phone number for one of our operators. Our operators are on call 24/7.

Mr. Mikell: How many customers and of what type does CUC currently serve?

Mr. Burnett: CUC currently serves 704 sewer customers, 784 water customers and 454 irrigation customers.

Mr. Mikell: Does CUC receive any revenue from availability fees paid by lot owners not currently receiving service?

Mr. Burnett: Yes. We serve 345 sewer and 380 water availability customers.

Mr. Mikell: Are you aware of any customer dissatisfaction with CUC's water and wastewater service?

Mr. Burnett: No, I am not. All customer issues and concerns, as well as the resolutions to them, are recorded into our computer system. In the event that customers express concerns regarding service, it is our policy to rapidly dispatch Company operators to the customer's location to investigate and remedy the situation. The majority of the billing questions occur when customers think their bills are too high, and they request that their meter be re-read, which we do. Service and billing problems are normally resolved by our local staff. Customer requested bill adjustments are made after consulting with the home office. To my knowledge, there has been only one written customer complaint to PSC since our last rate case. This customer believed his water bills were too high and refused to pay them. The ORS dispatched a qualified meter tester to test the customer's meter for accuracy. The test results found that CUC's meter was accurately recording the customer's usage, and he was instructed by the ORS representative to pay the past due bills and all future bills in full.

Mr. Mikell: Is CUC providing water and wastewater collection and treatment service to its customers in conformity with the regulations and requirements of the South Carolina Department of Health and Environmental Control ("DHEC")?

Mr. Burnett: Yes. The water and wastewater systems are operated in accordance with the regulations and requirements of DHEC. Also, all water testing and reporting are being performed and are in compliance with all applicable permits.

Mr. Mikell: Is there anything else you would like to add?

Mr. Burnett: Yes. It is the responsibility of the owners to maintain the financial integrity of the utility. There currently are no funds to provide for proper maintenance, upgrades, and additions on a system that is nearly thirty years old; or, to meet requirements by the Department of Health and Environmental Control, (DHEC) or natural hazards which may occur on coastal properties. We contend that these funds are direly needed to properly maintain the quality of service to which our customers are entitled.

Mr. Mikell: Does this complete your testimony?

Mr. Burnett: Yes it does.

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2013-451-W/S

IN RE:)	
)	
Application of CUC, Inc. for Adjustment)	DIRECT TESTIMONY
of Rates and Charges and Modification)	
of certain terms and conditions for the)	OF
Provision of Water and Sewer Service)	
_____)	SUSAN B. MIKELL

Mr. Mikell: Would you please state your name and business address?

Mrs. Mikell: My name is Susan B. Mikell, and my business address is 3779 Byrnes Boulevard, Florence, South Carolina 29506.

Mr. Mikell: Where are you employed and in what capacity?

Mrs. Mikell: I am an owner of CUC, Inc. and its Secretary-Treasurer and Office Manager.

Mr. Mikell: How long have you been employed or connected to the water and sewer utility business?

Mrs. Mikell: For 30 years.

Mr. Mikell: What is your training and work experience?

Mr. Burnett: I graduated from the College of Charleston with a Bachelor of Science degree in Sociology. Immediately after college, I worked for three years in Birmingham, Alabama in the field of real estate management. Upon returning to Florence, South Carolina in 1984, I began working with my father, Billy F. Burnett, in the water and sewer utility business. Since that is the year that CUC was founded, I have been with the company since its inception. Most of my training has occurred on the job and with online operator training. Last year I completed the Wastewater Treatment Operator's Training Class through Sumter Technical College, so that I could better understand the technical side of the business. I also am adept at dBase, Microsoft Excel and Word,

Intuit QuickBooks, and other computer software that benefits our company. I consider my work for CUC to be a career choice and not just a job.

Mr. Mikell: What are your job responsibilities in your current position?

Mrs. Mikell: I am responsible for the following items:

- Manage the company's computerized customer billing system, as well as the computerized bookkeeping program.
- Oversee all accounting and bookkeeping tasks for the company.
- Manage insurance and its annual audits.
- Handle taxes and ensure that all returns are correctly filed.
- Payment of all of the company's bills.
- Handle payroll and related reporting and oversee the 401-K plan, as well as its annual census reporting.
- Monitor all operating expenses for accuracy and to ensure that all money spent adds value to the utility.
- Supervise all employees, making sure they have the proper equipment to perform their jobs safely and efficiently and respond to their questions that arise during their day-to-day activities.
- Handle customer inquiries and complaints promptly and efficiently.
- Make decisions regarding acquisitions, as well as company policies, procedures, and staff.
- Complete PSC-required reports such as the Gross Receipts Report and the company's Annual Reports.
- Generate data and reports necessary to complete rate applications as needed to maintain financial stability; coordinate data inquiries and provide requested information associated with all rate applications.

Mr. Mikell: Are there any exhibits that you would like to incorporate into your testimony at this time?

Mrs. Mikell: Yes there are. At this time, I would like to incorporate the Application filed in this proceeding with the Commission, along with all of its accompanying exhibits and amendments, as well as all responses filed by the Company prior to this hearing.

Mr. Mikell: What is the purpose of your testimony in this proceeding?

Mrs. Mikell: I wanted to explain my role in the business. I participated in every aspect of the Application and understand all of the entries therein. I would like to explain the adjustments on the Application and why we feel they are necessary to the future economic viability of the company.

Mr. Mikell: What are the adjustments contained in the Application?

Mrs. Mikell: Our Application contains 55 adjustments, which sounds like many, but most of them include one for water and one for sewer. These adjustments were based on known and measurable amounts, and were based on test year figures or more current known and measured data. We consider each and every one of these necessary components of a fair rate structure.

Adjustments 1-6: These adjustments deal with the removal of Availability fees, Availability late charges, and Availability adjustments. In his testimony, Mr. Burnett addressed our need to remove these fees from revenues.

Adjustments 7 & 21: These annualize payroll amounts based on the most recent wages for all employees.

Adjustments 8 & 22: These annualize 401-K expenses based on the most recent wages and contribution amounts for all employees.

Adjustments 9 & 23: These annualize our health insurance premiums based on the most recent billing.

Adjustment 10: This adjustment was to annualize purchased water expense based on the new wholesale rate. As Mr. Burnett stated in his testimony, we now need an additional adjustment for purchased water due to the fact that the Beaufort-Jasper Water & Sewer Authority master meter was under-reading our consumption and has just been replaced with a new accurate master meter.

Adjustments 11 & 27: These adjustments serve to reflect the increase in postage rates by the U.S. Postal Service. We applied the new rates to our usage in the test year to show proper amounts.

Adjustments 12 & 28: These adjustments are to correct lab expense improperly charged to sewer that should have been charged to water.

Adjustments 13 & 29: These adjustments are to annualize office rent expense.

Adjustments 14 & 30: These adjustments removed non-utility gas expenses and added vehicle rent for business use of a privately owned vehicle.

Adjustments 15 & 31: These adjustments are to reflect increases in vehicle insurance premiums.

Adjustments 16 & 32: These adjustments are to reflect increases in general liability insurance premiums.

Adjustments 17 & 33: These adjustments are to reflect increases in workman's compensation insurance premiums.

Adjustments 18 & 34: These adjustments estimated our rate case expenses at \$12,000. Due to responding to the requests of the Intervenors, we now realize that this figure was entirely too low. This was addressed in Mr. Burnett's testimony. The new amount for rate case expenses will be closer to \$32,000.

Adjustments 19 & 35: These adjustments removed non-utility telephone expenses.

Adjustments 20 & 36: These adjustments removed non-utility cable expenses.

Adjustment 24: This adjustment annualizes our sludge expense based on current year actual cost and frequency.

Adjustment 25: This adjustment reflects the increase in the cost of purchased power.

Adjustment 26: This adjustment reflects the increase in the price of necessary chemicals.

Adjustment 37: This adjustment is to add depreciation expenses for a new backhoe, a new company car and three pickup trucks.

Adjustment 38: This adjustment is to show additional FICA on the increased payroll.

Adjustment 39: This adjustment is to show additional Medicare on the increased payroll.

Adjustment 40: This adjustment annualizes the interest expense on the new backhoe.

Adjustment 41: This adjustment annualizes the interest expense on the 3 new trucks.

Adjustment 42: This adjustment annualizes the interest expense on the new car.

Adjustments 43-53: These adjust our service and fees revenues based on our proposed water and wastewater rates.

Adjustment 54: This adjusts our gross receipts tax amount based on proposed revenues.

Adjustment 55: This adjusts our federal and state income taxes based on our profits after proposed rates are applied.

Mr. Mikell: Do you have anything else you would like to add?

Mrs. Mikell: Yes, I do. I would like to state for the record that we are proud of our employees. Our Operator in Charge, Marshall Bishop, has been with us since the company's inception (30 years), and our other two operators, Ricky Bozard and Todd Cooper, and our local office secretary, Mary Floyd, all have worked with us for nearly 15 years. Everyone works together to provide the highest quality of customer service. In the thirty years of our company's existence, we have received only a very few minor customer complaints and no serious ones. We pride ourselves in providing this level of service with the fewest possible employees. We believe there is value to the company in maintaining an excellent staff, and in order to keep skilled people, we have to pay them fair living wages and provide them with health insurance and a retirement plan.

We have tried to accommodate the needs and requests of the Property Owners' Associations on both islands and trust that they know we enjoy the mutual atmosphere of cooperation that exists between us.

Mr. Mikell: Why do you believe the requested increase in rates and charges is necessary?

Mrs. Mikell: We tried to state our reasons in a clear and thoughtful manner within our Application. We must have a positive operating margin in order to continue the successful operation and high level of customer service that we have always provided. Our proposed operating margin of 15% would allow us to do this, while continuing to provide affordability to our customers. We want to continue to provide the outstanding service that our customers have come to expect from us over the years; yet, we cannot continue to do so if the Utility does not receive sufficient revenues to cover its costs of operations and does not provide a fair return to its owners, all of which are necessary to properly serve these premier communities.

Mr. Mikell: Does this conclude your testimony?

Mrs. Mikell: Yes, it does.